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IN REPLY REFER TO

PPD 730.5.17

20 June 2000  
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MEMORANDUM FOR REGIONAL DIRECTORS, DCAA  
DIRECTOR, FIELD DETACHMENT, DCAA

SUBJECT: Audit Guidance on Review of Cash Flow Projections

Our review of the July 2000 edition of the CAM disclosed an error in the revisions made to CAM 14-305.2d Review of Cash Flow Projections. The paragraph excluded a key word, and should read as follows:

If the contractor does not prepare a cash flow forecast as part of normal financial management, request that the contractor prepare a cash flow forecast for the audit. If the contractor fails to do so, ask the ACO for assistance in accordance with DFARS 232.072-3. The auditor cannot give an opinion on a contractor's financial capability without an evaluation of the contractor's cash flow forecast (however, see exception for nonmajor contractors below). The failure to prepare cash flow forecasts will normally occur only at smaller companies. At larger companies, the auditor should report this absence of normal financial management and budgetary controls as a significant internal control weakness. Actions by a contractor to restrict or deny access should be first elevated to the ACO for assistance in obtaining the relevant information in accordance with DFARS 232.072. If the problem continues, it should be reported as an access to records problem (1-504). For nonmajor contractors, if the contractor fails to prepare a cash flow forecast, even after requested by the auditor, and if, through the audit of sufficient, competent, evidential matter it is determined that the contractor is experiencing financial distress, the auditor can issue the report giving an unfavorable or adverse audit opinion on the contractor's financial capability.

If FAO personnel have any questions regarding this memorandum, they should contact their regional personnel. If regional personnel have any questions, they may contact Jeff Miller, Program Manager, Policy Programs Division, at (703) 767-2270 or e-mail dcaa-ppd@dcaa.mil.

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